

STATE OF CONNECTICUT
HOUSE OF REPRESENTATIVES



J. BRENDAN SHARKEY
SPEAKER OF THE HOUSE

March 21, 2014

Thank you Chairman Rojas, Chairwoman Osten, Senator Fasano, Representative Aman and members of the Planning & Development Committee for the opportunity to express my support for HB-5583, AAC The Payment Of Real Property Taxes By Certain Institutions Of Higher Learning and Hospital Facilities.

This legislation seeks to provide property tax relief for the communities that host non-profit hospitals and private colleges. When the Colleges and Hospitals PILOT was first instituted in 1978, there was a recognition by the legislature that communities were being negatively impacted by the loss of revenue from hosting these entities, as the obligations required to serve them grew.

We appreciate the value colleges and nonprofit hospitals add to the community, both economically and socially. But we must acknowledge the fact that the landscape has changed. The distinction between nonprofit colleges and hospitals and their for-profit counterparts has blurred. Nonprofit colleges and hospitals are expanding and acquiring real estate in the same way for-profit companies do. In essence, their economic models are the same.

Examples of this convergence in models include hospitals buying doctors' practices and locating outpatient facilities in suburban communities and colleges buying single-family residences to house students. We welcome their growth and hope to create more opportunities for them to grow, but not at the expense of the host communities, and the families and small businesses living in those communities, who are being asked to shoulder an increasing share of the property tax burden.

This proposal switches who is eligible for the reimbursement PILOT offers, and requires nonprofit colleges and hospitals to pay for their fair share of property taxes. Instead of the host communities shouldering the responsibility of going to the state, the college or hospital will pay their full, assessed property taxes to the town or city, and then the college or hospital will apply to the state for reimbursement.

Perhaps most importantly, there is an opt-out provision that encourages nonprofit hospitals and colleges to negotiate a payment agreement with the host community, equal to or greater than the amount the city or town is currently receiving from the Colleges and Hospitals PILOT. This provides an opportunity for the community and the college or hospital to negotiate an agreement that is mutually beneficial to both parties.

Specifically, the bill:

- Requires any private nonprofit college or hospital to pay taxes on the assessed value of their property.
- The bill as drafted calls for the property tax obligation to be phased in over five years: 20% - year one, 40% - year two, 60% - year three, 80% - year four and 100% - year five. This would begin with the assessment year starting on October 1, 2014. However, I would recommend leaving any phase in provisions to the towns.
- A private nonprofit college or hospital that has entered into an agreement for the payment of property taxes with the host community shall be eligible to apply for reimbursement from the state so long as their property tax payment or contribution is above the allocated amount authorized by the state.
- The Secretary of OPM shall determine the amount due to each private nonprofit college or hospital for reimbursement of taxes with respect to real property owned by the private nonprofit college or hospital.
- Private nonprofit colleges and hospitals shall provide OPM with documentation showing the assessed value of the real property that they are liable to pay taxes on, and the amount of the taxes paid by the institution or facility.
- The amount allocated from the Pequot and Mohegan Fund to the current PILOT will now be paid to private nonprofit colleges and hospitals. Pequot and Mohegan funds paid to municipalities that are outside of the Colleges and Hospitals PILOT will not be changed.

Again, I urge members of the Planning & Development Committee to support HB-5583 AAC The Payment Of Real Property Taxes By Certain Institutions Of Higher Learning and Hospital Facilities. Thank you in advance for your consideration of this bill.

Sincerely,

A handwritten signature in black ink, appearing to read "J. Brendan Sharkey", written in a cursive style.

J. Brendan Sharkey
Speaker of the House